





## Without Participation of Jordan

## Israel Sees Egypt Set for Separate Talks

By William E. Farrell  
JERUSALEM, March 14 (NYT).—Israeli media today carried reports citing a "political source in Jerusalem" as saying that Egypt has softened its position regarding Jordanian participation in peace negotiations.

According to the reports, the source said that Egypt despaired of Jordan's entering the Israeli-Egyptian peace negotiations and that Egypt was now ready for separate negotiations in working out a statement of principles for peace in the Middle East.

It was learned that the source was Foreign Minister Moshe Dayan, who earlier today held a background briefing with a group of Israeli reporters.

Ready for Talks

According to reports on Israeli radio, Egypt until now had been loath to enter into a declaration of principles that did not involve Jordan, but it was now ready for separate negotiations in return for a statement from Israel that included a commitment to total withdrawal from Arab territory captured during the 1967 war and to self-determination for the Palestinians. Israel is resisting such commitments, saying that while everything is negotiable, a demand for

prior conditions to talks is not acceptable.

The reports quoted Mr. Dayan as saying that he believed that when President Carter meets Prime Minister Menachem Begin in Washington next week, the Americans will put forth a proposal of their own that would include elements of Mr. Begin's peace plan.

The Prime Minister has proposed a system of self-rule for the 1.1 million Palestinian Arabs on the West Bank of the Jordan River and in the Gaza Strip, with the retention of an Israeli military presence for security purposes. The proposal as outlined by Mr. Begin would be subject to review after a five-year period.

Mr. Carter, when he met with Egyptian President Anwar Sadat at Aswan in January, talked of a plan that included Palestinian participation in some form of government that fell short of independent statehood. The Israelis adamantly oppose a separate Palestinian state, claiming that it would be a weak irreducible entity that would be a constant security threat in Israel.

Mr. Dayan was quoted as saying that Israel was moving closer to the Aswan formula with a "highly different wording and with its own interpretation."

Other subjects during the Washington talks, Mr. Dayan said, are expected to include UN Security Council Resolution 242, the framework for Arab-Israeli peace contacts since 1967. Lately, the Begin administration has been saying that the resolution, which calls for Israeli withdrawal from Arab territories, but not "all" of them, does not necessarily include any withdrawal from the West Bank and Gaza. This has irked the Americans, who say that the intention of the resolution has always been interpreted to mean some withdrawal in all lands captured in 1967.

According to Mr. Dayan, Mr. Begin's plan would cancel the current military administration in the West Bank and the Gaza Strip and this actually constitutes a form of withdrawal. The argument is not likely to persuade opponents of the Israeli interpretation of Resolution 242, since there would still be a military presence even if it was one that did not regulate, as it does now, such things as health, education, welfare, transportation, and so on.

Another subject of discussion will be Israel's controversial settlement policy in the Arab lands. Mr. Dayan was quoted as saying, "The United States claims that the settlements are illegal under international law and form obstacles to peace. For the last several months, Israel has been creating settlements in the West Bank within the confines of Israeli military encampments. But this encampment-siding will end, Mr. Dayan said, in part because the Americans are no longer disposed to going along with it."

U.S. Voices Fear a Reprisal  
By Israel May Hurt Peace Bid

WASHINGTON, March 14 (NYT).—The State Department made public yesterday the administration's concern that Israel's expected retaliation for last Saturday's Palestinian raid might worsen the Middle East atmosphere and ruin any chances for progress in negotiations.

The administration, in diplomatic messages Sunday, had privately urged restraint on the Israelis. Yesterday, department spokesman Edding Carter said, when asked about U.S. views on retaliation, said that while Israel must protect its security interests, "no one wants to add to the suffering and loss of innocent lives anywhere in the world."

The purpose of the statement, officials said, was to indicate that the United States hoped Israel would try to avoid an action such as subjecting Palestinian camps in Lebanon to air raids—that might lead to large numbers of civilian deaths. This, in turn, in the U.S. view, would make it very hard for negotiations with Egyptian President Anwar Sadat to continue.

Officials said that Israel has not informed the United States of any military actions that it might take. Israel did inform the United States of its plan to urge countries that house Palestine Liberation Organization missions to end those ties. There is no such mission accredited in Washington.

Concerned that the Palestinians do not appear to have gained their main objective—sabotage of the peace talks—by the raid, the State Department issued a statement pledging continued diplomatic efforts.

Sadat Calls  
Raid Tragic

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ly to isolate him further from other Arabs, who have not criticized the PLO's actions against Israel.

Mr. Begin's office tonight said that Mr. Sadat's reaction was "natural and human" and that the Prime Minister was pleased with it.

Reaction in Egypt against the raid has been strong. Many Egyptians have called the Palestinian commandos criminals and traitors and have said that the raid has undercut Mr. Sadat's effort for the Palestinians. A minority in Cairo, however, have said that the attack was justified because it took place inside Israel and was encouraged by Israeli intransigence.

Mitchell to Testify  
On Korean Bribery

WASHINGTON, March 14 (AP).—Former Attorney General John Mitchell will remain on furlough from his prison sentence for at least two more weeks so he can testify on what he knows about alleged South Korean influence-buying in Congress.

The hearings begin tomorrow before a House subcommittee. Mitchell, who is serving a prison term in Alabama for his part in the Watergate affair, was released on a medical furlough Dec. 28 and underwent arterial surgery in January.

## Dutch Marines Attack, Free 70 Hostages

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was joined by two others firing at the Dutch. The Dutch fired back, hitting the building. They fired on an ambulance that tried to pick him up and he lay on the sidewalk throughout the siege. Officials believe he died of wounds.

One who escaped was Mrs. Albertina Sch. Thuis, 55, the provincial commissioner or governor of Drenthe province, who got out through a window.

In the initial gunning five persons were wounded. One was a schoolboy shot through the lung as he rode past the building on his bicycle.

Another was Karel de Groot, a provincial planning official, who apparently was fatally wounded. Officials believe the Moluccans dumped his body out of a window.

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Printers demonstrate outside a Frankfurt publishing house yesterday after publishers announced a nationwide lockout in retaliation for strikes by printers in four cities.

## Responding to Selective Strike

## German Newspapers Lock Out Printers

FRANKFURT, March 14 (AP).—West German newspaper publishers, responding to what they called a destructive strike, retaliated today by locking out their printers.

The nationwide lockout began at 6 a.m., but a few hours later

it was clear that not all publishers heeded their association's call to shut down plants producing 364 newspapers with a total circulation of about 21.5 million.

The printers' union said that plants in Munich, Hamburg, Saarbrücken and northern Ba-

varia were among those to continue printing newspapers for sale and delivery tomorrow.

According to West German law, publishers are allowed to withhold wages from those affected by their lockout. During lockouts and strikes, union members receive financial aid from their union. Nonunion employees do not.

The publishers' association said in a statement that the lockout would continue for as long as the union insisted on selective strikes against certain newspapers. It described the lockout as "a last attempt to come to the aid of newspapers in distress."

Federal Labor Office president Josef Stiglitz told reporters before the lockout that during two days of discussions he had failed to settle the dispute over newspaper computerization, which about 38,000 typesetters fear will cost them their jobs.

Employers insist that they must computerize to remain competitive. They have offered to retrain the typesetters for other printing industry jobs, but refused to give long-term wage guarantees.

Journalists were not affected by the lockout, a spokesman said. He added they were "going through the motions" to prepare for the return of their newspapers.

Rhodesians  
Bar Talks

(Continued from Page 1)  
the agreement was signed by three black leaders who have 90 per cent of the country's people following them. The Salisbury agreement is what the people like.

"Mugabe and Komo say what they think and not what the people think."

25 Killed in War  
SALISBURY, Rhodesia, March 14 (UPI).—Another 25 persons—15 of them civilians—have been killed in Rhodesia's guerrilla war, the military command said today.

The civilians, according to a communiqué, included "eight terrorist collaborators," four blacks, two black women, and a white farmer, all "murdered by terrorists." The other casualties were 12 guerrillas and a Rhodesian soldier.

France Reaches  
Arms Pact With  
4 Arab Countries

PARIS, March 14 (Reuters).—France and four Arab states today signed a military-cooperation agreement covering technical assistance and arms production.

Officials said the agreement would enable French aircraft and missile manufacturers to sell arms to the Arabs with French government backing.

Gen. Abdel-Gany Gansay, the Egyptian deputy premier and defense minister, signed on behalf of a Cairo-based arms consortium, the Industrial Arab Organization, grouping Egypt, Saudi Arabia, Qatar and the United Arab Emirates. Defense Minister Yvon Bourges signed for France.

The IAO was set up in 1976 with the backing of Saudi Arabia and the other oil-rich Arab countries, with an initial capital of \$1 billion.

## Russia Now Giving U.S. Key Missile Data

(Continued from Page 1)  
information on its forces as a breakthrough in the talks and a signal of Soviet interest in completing a new accord. Moscow is also said to be unwilling to provide hard figures for its force of large-payload "heavy" missiles that would not be explicitly limited in the proposed accord, but are seen by defense analysts as a major element of Soviet strategic power.

Officials are also disappointed in Moscow's unwillingness to provide information concerning the potential of a new medium-range bomber, known as the Backfire in the West. The United States is included under numerical ceilings, but a secret administration study given to the Senate Foreign Relations Committee two weeks ago said, "The aircraft has inherent capability to perform certain intercontinental missions and could be given such a role."

As a result, the administration is insisting at Geneva that the Soviet Union agree to restrictions on the Backfire that would limit its ability to pose a threat to the United States. So far, officials said, Soviet negotiators have refused to discuss the capabilities of the bomber, other than to refer officials to a statement by the Soviet leader, Leonid Brezhnev, that its range is 2,200 kilometers, or 1,320 miles.

Restrictions Sought

Officials said that the Arms Control and Disarmament Agency has argued that the administration should accept this estimate along with a pledge by Mr. Brezhnev that the bomber would not be used against the United States. However, they said that at a Cabinet-level meeting of a special coordinating committee last week, President Carter's top security advisers agreed to press for more precise restrictions on where the bomber could be based, how it could be equipped and whether it could be refueled.

The officials are also said to have decided to continue pressing Moscow to place tight restrictions on the ability of both sides to equip existing missiles with new propulsion systems or guidance units. The Soviet Union has rejected this approach and is said to be holding out for an accord that would not impede its efforts to upgrade its new generation of missiles.

To Win Control of Gulf  
Iran Pushes Program  
To Double Navy Fleet

TEHRAN, March 14 (WP).—Shah Mohammed Reza Pahlavi is pressing ahead with a \$8-billion naval expansion program that will double the size of the Iranian fleet, consolidate its control of the Gulf and extend the Iranian naval presence into the Indian Ocean, according to military officials here.

Iran is close to agreement with West Germany on the purchase of six submarines and is negotiating with European suppliers for a dozen frigates, at least eight minesweepers, and possibly some patrol boats in a package worth about \$3.5 billion, sources said.

Iran has already bought 12 French missile-carrying patrol boats, the first two of which were delivered recently. The Imperial Iranian Navy has also ordered three used U.S. Tang-class submarines, now being refurbished for delivery starting next year, and four modern Spruance-class destroyers due for delivery in the early 1980s. The combined cost of these fighting ships is estimated to exceed \$1.56 billion.

The buildup of the 23,000-man navy, by far the largest in the Gulf region, will "consolidate a massive superiority over the navies of Iran's Arab neighbors," a diplomat said. The other Gulf states are reportedly concerned about the expansion.

The Iranian Navy is estimated

to have at least three times more manpower than the combined navies of Iraq, Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman. Their forces consist mostly of patrol boats.

Besides the projected new vessels, Iran is expected to order up to 10 additional West German submarines and has expressed interest in more minesweepers, sources said.

"In all cases, the Shah feels that Iran is responsible for the region," a Western military attaché said. He added that the Shah was trying to carry out "a very old aim to fill the vacuum left by the British when they pulled out of the Persian Gulf."

Dayan to Hold Talks  
With Romania Aides

JERUSALEM, March 14 (Reuters).—Foreign Minister Moshe Dayan has accepted an invitation to visit Romania to discuss Middle East developments, Foreign Ministry officials said today.

They said that no date has been set, but Israeli newspapers reported that Mr. Dayan would go to Bucharest shortly after his visit to Washington in two weeks.

Illegal Multiracial Unit Holds  
2d Conference in South Africa

By Bernard Gwertzman

JOHANNESBURG, March 14 (WP).—Leaders of the three major nonwhite groups in South Africa yesterday held a second meeting in defiance of a South African law that prohibits multiracial political associations.

Top representatives of the Zulus, the country's largest black tribe, colored persons of mixed race and Indians named the association, which they formed in January, the South African Black Alliance. They also began preparations for a convention to write a nonracial constitution for South Africa.

Sees Negotiations

The chairman of the alliance, Zulu chief Gatsha Buthelesi, predicted yesterday in Cape Town that the white-minority government would have to negotiate with the alliance just as Rhodesian Prime Minister Ian

Smith had recently with moderate blacks in that country.

Although he did not want to "talk big," Chief Buthelesi said that he thought the South African Black Alliance could be the vehicle with which Prime Minister John Vorster would have to talk.

"Unless he wants the ghastly alternative he has warned against," the Zulu chief was apparently referring to a violent confrontation between blacks and whites.

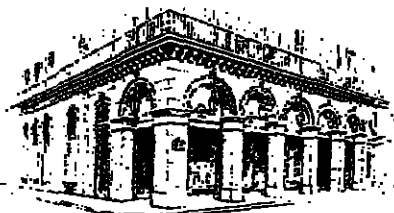
Iran Pulls Out of Fair  
LEIPZIG, East Germany, March 14 (Reuters).—Iran has pulled out of the Leipzig trade fair following an East German decision to deport instead of jail 12 Iranian students who attacked Iran's East Berlin Embassy on Feb. 27, informed sources said yesterday.

## The new trend in mid-season suits

This year, the trend is back to classical colours: grey, green, blue. They are generally in pastel shades. For this weight of suit, which you can wear almost the whole year round, Lanvin 2 has several fabrics to recommend: some very soft

brushed flannels (F 1,990) or gabardines (F 2,250), or maybe you would prefer an end-and-end weave (F 2,250) or a pepper-and-salt mixture (F 2,550) which is especially hard-wearing.

Matching ensembles are also in the news — pure wool patterned jackets worn over plain gabardine trousers (F 2,250).



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Sabotage Attempt  
Fails to Halt Move  
To Tokyo Airport

TOKYO, March 14 (UPI).—Major airlines began moving to Tokyo's controversial new international airport at Narita today, following an effort by opponents to sabotage a train taking jet fuel there yesterday.

Convoys of 10-ton trucks began hauling 4,000 tons of equipment over the 51 miles to Narita from the present airport at Haneda. The operation will continue the rest of this month.

Haneda is about 10 miles southwest of central Tokyo. The Narita airport is 41 miles north-east of the capital.

A train carrying jet fuel to the new airport yesterday smashed into a small truck that had been deliberately parked on a railroad crossing a few seconds earlier, police reported.

Police said that saboteurs set fire to the truck after abandoning it on the crossing and then hurled Molotov cocktails at the train as it slowed after hitting the truck. There were no injuries.

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## Califano Angers Tobacco Lobby

Under Fire for Campaign Against Smoking

By Ward Sinclair

WASHINGTON, March 14 (WP).—Joseph Califano Jr., erstwhile three-pack-a-day smoker and shareholder in Philip Morris Inc., a cigarette company, is secretary of Health, Education and Welfare.

Even before he announced in January a plan to intensify the government's effort to help the nation kick the cigarette habit, Mr. Califano had stirred up a political storm.

The storm is still growing. The secretary's detractors are urging President Carter to call him off. There is no sign, however, that he is being deterred. In fact, Mr. Califano said, the last time that he and Mr. Carter discussed the anti-smoking campaign, the President said, "You're right on track" with it.

**Intense Campaign**  
The tobacco industry and tobacco-state legislators are waging an intense campaign against Mr. Califano's anti-smoking drive. And the congressional system is such that legislators from southern tobacco strongholds, lifted to power by seniority, control the levers that will determine whether Mr. Califano gets the money he wants for his program.

Mr. Califano is seeking the allocation of about \$9 million more than what HEW currently spends on smoking and health.

HEW would continue to devote most of its requested \$29.5-million appropriation to research, investigations into addiction and the motivation and behavior of smokers. Of that amount, \$6 million in new money would go toward developing educational materials and \$3 million in new money would be added to research.

Mr. Califano is also urging other federal agencies and private businesses to review policies related to smoking in public places and wants a study of

federal taxation and cigarette warning-label policy.

The tobacco industry and tobacco-state legislators are painting Mr. Califano as a dictator, a sort of bureaucratic crusader, bent on controlling the minds of children and imposing his reformist zeal on Americans.

Rep. William Hatcher, D-Ky., a prominent figure in the House's appropriations process, said last week, "This is more federal control. . . People are fed up with Washington meddling in their lives."

In Kentucky, a major tobacco-growing state, the House of Representatives resolved that Mr. Califano should resign.

The cigarette industry's highly skilled lobby, the Tobacco Institute, is profoundly worried about Mr. Califano's effort, because it has all the signs of being the most energetic anti-smoking campaign yet.

The institute has challenged the medical evidence offered against tobacco by HEW, has professed a deep desire to serve consumers from harm and has insisted that study, rather than emotion, is required.

**Research Urged**  
The institute and its allies in Congress are now trying to channel all of HEW's \$29.5 million anti-smoking effort into research and to divert spending away from a public education effort aimed at the schools.

"The reason they are so hysterical is that their own ads are directed at children and they've fought for years not to disclose how much they spend on that," Mr. Califano said. Tobacco always has stirred special emotion. It is a subject of debate that often defies rational bounds. You smoke it or you do not. You accept the evidence that it is harmful or you do not.

Its impact on the U.S. economy is enormous: \$15 billion in exports, \$6 billion in tax reve-

nues, \$2.85 billion in income to an estimated 600,000 farm families, mostly in the South. There are as well about \$500 million spent on cigarette advertising and \$15.2 billion on sales.

### Ominous Turn

Cigarette consumption goes up and down after one scare or another, but Mr. Califano and others see an ominous turn in the statistics—fewer adults seem to be smoking than in 1964 when the surgeon general issued his report warning of the health dangers of smoking. But teenagers still are turning out to be tobacco.

"Aside from the tremendous number of deaths that occur because of smoking, I am concerned about the people who are hooked before they are 21. Education makes a difference. . . We are looking at prevention here and what the federal government can do," Mr. Califano said.

His campaign, he said, is based on concepts about preventive medicine and the rather startling statistics that show the receptivity of young people to cigarette advertising. An estimated 4,000 youngsters start smoking every day, he said.

Mr. Califano wants to give them enough information about tobacco so that when they make a decision about smoking, they will have a better notion of what they are doing.

"Teen-agers often start without the benefit of a fully informed perspective," he said. "Cigarette advertising portrays smoking as attractive and mature. . . All we can do is provide information about the other side. It's one of the most significant things we can do in this country in the area of public health."

During recent testimony before a House Public Health subcommittee, he said that the country spent between \$5 bil-



Joseph Califano Jr.

lion and \$7 billion in 1975 to treat smoking-related diseases. As much as \$18 billion in worker productivity may have been lost due to absenteeism caused by smoking-related illness, he added.

In the tobacco states, the strident anti-Califano reaction seems fueled by immediate about-face support policies and by a fear that the public generally misunderstands the issue of subsidies to tobacco farmers.

Last year farmers were angered that subsidies, that is, the price supports, were wrong. There is a difference between a flat subsidy and the price-support program, however.

Basically, the program is a government operation run through a dozen cooperatives. When the grower cannot get a "fair" price for his tobacco at auction, he can put it on loan—he gets the support price and the co-op takes his tobacco for later resale to cigarette companies or exporters.

Since it began in 1933, the program has brought stability to the tobacco market and helped thousands of farmers defend themselves against the major buyers, who could otherwise dictate prices. Without the program, growers say, the small family farm would cease to exist.

## In Secret Memos

# Navy Criticizes White House Defense Strategy

By Bernard Weinraub

WASHINGTON, March 14 (NYT).—The Navy, in strongly worded criticism of Defense Secretary Harold Brown's policies, has said that the administration was undertaking a "fundamental change in national strategy" that concedes the Norwegian Sea to the Soviet Union and places the security of the Mediterranean in doubt.

Two secret memorandums, signed by Navy Secretary Graham Claytor and circulated within the Pentagon, rebuke the administration's plan to limit the Navy's involvement in future conflicts to keeping waterways and sea lanes open. The administration plan sharply limits any naval role against the Soviet mainland, such as sending planes or landing troops, which the Navy has envisaged.

"A sea lanes' Navy will not penalize the Soviets, will not hedge against the loss of Norway or the loss of the Barents Sea, and concedes the Norwegian Sea to the Soviets," said Mr. Claytor.

He added that current Defense Department plans for the Navy "amount to a fundamental change in national strategy without treating or, worse, without even making visible the impact of such a change on our alliances and our relationships with, among others, Norway, Greece, Turkey, Israel, Japan and the People's Republic of China."

Mr. Claytor's comments are included in two secret memorandums, one to Mr. Brown, and the other to Russell Murray, assistant defense secretary for program analysis and evaluation. Copies of the documents, he dated Feb. 14, 1978, were obtained yesterday by The New York Times.

In the memorandum to Mr. Brown, Mr. Claytor said, "This troubles me. If such national retrenchment is to be our lot, we have to carefully trace the negative consequences, plan how to try to mitigate them where possible, and help the President work out the best way to describe them to the Congress, the public, and the other countries concerned."

While the debate is still going on in private within the Pentagon, the Navy, which has influential allies in Congress, is headed on a course that could provoke a basic, public review of the Carter administration's defense policy.

Mr. Claytor noted that the current debate focuses on the kinds of naval forces that the United States will maintain 20 years from now.

"We must be careful that we do not begin to rationalize, or to persuade ourselves or a bright future in which others— allies or neutrals—will not believe," Mr. Claytor said.

"It is one thing to say we can support our allies and mean it; it is quite another—reprehensible

—thing to say it and not mean it," he added. Mr. Claytor was especially critical of the widely discussed option of ending U.S. naval strength in the Mediterranean.

### Mission Changing

"Such concepts as removing the Sixth Fleet from the Mediterranean, leaving it for the French and Italians to defend during a NATO war, and changing the Navy's basic mission from selective sea control worldwide to defense of a sea lane from Norfolk to the

English Channel will lead inevitably to the conclusion that a smaller and less capable Navy is somehow logical," he said.

"One can rationalize anything," he added. "But, in the case of the Mediterranean, France has already declined to commit to NATO, and the assessment of Italian strength could undoubtedly surprise the Italians. The plain fact is that France and Italy cannot cope alone. The NATO purpose is to insure that they would not have to."

Claims Navy Owes \$544 Million on New Boats

## U.S. Firm Threatens to Halt A-Sub Work

By George C. Wilson

WASHINGTON, March 14 (WP).—General Dynamics threatened yesterday to halt construction of the newest nuclear attack submarines unless the U.S. Navy pays what the company considers back bills.

"Contracts for these ships have been materially breached by Navy actions," said General Dynamics, which claims that the Navy owes it \$544 million for "more than 35,000" changes in the 688-Class of attack submarines under construction by the company's Electric Boat Division at Groton, Conn.

The company's statement marked the first time that a nuclear submarine program has been threatened with such stoppages, although two similar threats against Navy surface ships were made by other shipbuilders in the past.

The Navy is expected to ask a federal court to order Electric Boat to continue work on the submarines. The company has threatened to stop all work on April 12.

"The Navy will take such steps in the courts or otherwise as may be necessary and advisable to protect the public interest and the national defense," the Navy said yesterday.

Navy Secretary Graham Claytor, after meeting yesterday with Sen. Abraham Ribicoff, D-Conn., and other lawmakers whose constituents would be affected by a shutdown, said: "We will do whatever we have to to see that these submarines are finished."

Besides going to court for an injunction, Mr. Claytor said, the

Navy could exercise the contract option to take over the work on the submarines "and finish it ourselves."

Another option, which is opposed by the governors of Connecticut and Rhode Island, would be for the Navy to consider the contract terminated and let another shipbuilder build the submarines.

The threatened work stoppage is the latest round in the long fight between the Navy and its shipbuilders over who owes whom for unanticipated costs. The shipbuilders, principally Electric Boat, Litton and Newport News, claim that the Navy owes them \$2.7 billion.

Electric Boat not only is building the 688-Class of attack submarines, but is the only builder of the Trident missile submarine that is supposed to replace the

aging fleet of Polaris and Poseidon submarines that now provide the sea-based nuclear deterrent.

General Dynamics, which already has delivered two of the "688" fast attack submarines, has a contract to build 14 more. It said that stopping work on the 688-Class submarines, construction that provides about 14,000 jobs, mostly in Connecticut and Rhode Island, will not affect the Trident program.

Each of the attack submarines costs \$234.1 million, according to the Navy, not counting its weapons. In earlier fights over money owed, Litton threatened to stop work on a Marine Corps amphibious ship and Newport News on a nuclear cruiser. The Navy succeeded in both cases in obtaining federal court orders against the threatened work stoppages.

## Senator Asserts Carter Offer on Canal Treaty Is Not Enough

By Robert G. Kaiser

WASHINGTON, March 14 (WP).—The Carter administration yesterday offered a substantial concession allowing a significant change to the Panama Canal treaties in a last-minute effort to win two-thirds approval in the Senate.

However, the concession appeared to fall short of the wishes of Sen. Dennis Deconcini, D-Ariz., who as emerged as a key broker between undecided Democratic senators and the administration. Late last night, Sen. Deconcini said that he would ask for more than he was offered, and it was not clear how the administration would react.

Sen. Deconcini wants to add a reservation or amendments to the Senate's resolution of ratification of the first treaty—scheduled for a vote on Thursday—that would grant the United States the right to take unilateral military action, including basing troops temporarily in Panama, to open the canal if it is closed because of domestic

strife in Panama or the failure of Panama to maintain the canal properly.

### No U.S. Troops

He said that the administration agreed to accept such a reservation provided it did not directly suggest the right to put U.S. troops back into Panama after the year 2000. Under the treaty as drafted, Panama takes control of the canal in that year. No con-

try but Panama would be permitted to base troops there after that.

When Sen. Deconcini and his staff studied what the administration had approved, they found that it was not quite what they had asked for. They then re-drafted the proposed reservation, spelling out the U.S. prerogative to keep the canal open with whatever steps are necessary, "including the use of military force in Panama."

This last phrase might be unacceptable to the Carter administration and to Gen. Omar Torrijos, the leader of Panama, an aide to Sen. Deconcini acknowledged. Further bargaining was expected to continue today during Senate debate on the instrument of ratification.

### Deconcini Optimistic

Earlier yesterday Sen. Deconcini predicted that the administration would do what was necessary to please him and four like-minded colleagues. "It's so important to the administration that they'll give what they have to," he said.

"I get the feeling that they don't have the votes" without satisfying this bloc of undecided senators, he added.

Sen. Deconcini noted that until now the administration had argued that such a change as substantial as his would require another plebiscite in Panama, and would therefore be unacceptable. He suggested that the administration's new attitude reflects a more sober view of the treaties' prospects in the Senate.

Despite many favorable signs in recent weeks, the White House and the Senate leadership have not been able to win firm commitments from the 67 senators they need, assuming all 100 vote.

If the administration's bargaining with the five undecided Democrats succeeds in winning all their votes, White House lobbyists feel confident that the treaty will pass.

## Carter Shift on Farm Bill Seen As Lobbying Effort on Canal

WASHINGTON, March 14 (NYT).—The White House quietly changed its position yesterday on the \$2.3-billion emergency farm bill to conform to the wishes of a senator whose vote it is wooing on the Panama Canal treaties.

The administration, which formerly opposed the measure as inflationary, now is taking a neutral position. The bill is sponsored by Sen. Herman Talmadge, D-Ga., one of a handful of uncommitted senators on whom the administration is concentrating its canal lobbying efforts.

The switch on the farm bill came as the White House made frantic last-minute efforts to secure the few additional votes needed to win ratification of the canal treaties, one of which will be voted on Thursday.

Last week, the White House reversed itself and supported a plan to have the government buy \$250 million worth of copper for the nation's strategic stockpile. The reversal was at the request of Sen. Dennis Deconcini, D-Ariz., another of the senators uncommitted on the canal treaties.

A high administration official remarked recently, "I hope the Panamanians will get as much out of these treaties as some United States Senators."

## American's Trial Opens in Israel

TEL AVIV, March 14 (AP).—Sami Esmail, a New Yorker of Palestinian descent, went on trial here today accused of membership in a Palestinian guerrilla organization.

The opening session, attended by 25 spectators in a cramped district courtroom, began with a defense challenge of a statement in which Mr. Esmail allegedly confessed to the charges. He has pleaded not guilty.

Defense attorney Felicia Langer asserted that Mr. Esmail, 23,

a graduate student in Michigan, had been physically abused and subjected to psychological pressure before he made his statement Dec. 28, four days after his arrest.

### Soviet Aide in Malaysia

KUALA LUMPUR, Malaysia, March 14 (AP).—The Soviet deputy minister of foreign affairs, N.P. Fyryubin, arrived yesterday for a four-day visit.

## Swindler Finds—Too Late—Top Recruits Were FBI Men

(Continued from Page 1)

ment "vehicle" was Seven Oaks, a small savings bank in Kent, Kitzler admitted that he had been involved in the operation of no fewer than four such banks in the last two years.

### Substance and Appearance

All of the financial institutions did, in fact, exist, although their substance was always a good deal less than the appearance Kitzler gave them. In the case of Seven Oaks, the bank was more like a small American savings and loan company than the picture Kitzler painted of it—that of an established and discreet English bank which had at its disposal billions of dollars in Middle East oil assets.

Mr. Brennan said the victim is usually the bank or insurance company which accepts phony paper as collateral on a loan or which releases an already arranged loan on the strength of a phony instrument. If the promoter can float a loan with phony securities as collateral, he pockets the proceeds and disappears.

The agents had to be careful to observe the rules of evidence in obtaining documentation to be used later against Kitzler and other schemers. "We could keep records or evidence only if Mr. Kitzler gave them to us or if he threw them away," Mr. Brennan said. Otherwise the evidence would be illegally obtained and therefore unusable in court.

So the agents had to discreet-

ly rummage through Kitzler's hotel room wastebaskets to retrieve phone messages and other material.

The months of scrambling and living double lives began paying off last autumn. On Sept. 20, FBI agents armed with search warrants began accumulating additional evidence against Kitzler and other swindlers pinpointed by the investigation.

### Suspected Broker

Agents served warrants on the Newport Beach home of Jack Elliott, who agents said is suspected of having served as a broker for several batches of phony securities from Seven Oaks and another Kitzler bank, Mercantile Bank and Trust Co., of Kingstown, St. Vincent Island.

Kitzler was arrested Oct. 17 in Miami as he stepped off a plane from Panama. According to the testimony, Kitzler had become convinced sometime before he was arrested that Seven Oaks was no longer a viable "vehicle" for him.

So he sold the bank, with the \$25 million worth of phony securities on its books, to a New York man who Kitzler claimed was another "promoter."

At the time he was arrested, Kitzler was in the midst of chartering the First National City Bank, Haiti, which he himself testified was as phony as Seven Oaks.

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## Colby Says Ford Fired Him for Aiding Probes



William Colby

By Seymour Hersh  
NEW YORK, March 14 (NYT).—William Colby says in a memoir to be published in May that he believes President Ford removed him as director of the CIA late in 1975 because he chose not to "stonewall" but to cooperate with the congressional and executive inquiries that year into wrongdoing by the CIA.

"To say the very least, most of the White House staff and, for that matter, much of the intelligence community, were unenthusiastic about what I was doing," Mr. Colby writes in "Honorable Man: My Life in the CIA," to be published by Simon and Schuster.

Among those who expressed concern to him, Mr. Colby writes, were Henry Kissinger, then secretary of state; Brent Scowcroft,

then the head of the National Security Council, and Vice-President Nelson Rockefeller, who at the time was chairman of a presidentially appointed executive commission investigating alleged CIA abuses.

Mr. Rockefeller denied yesterday that he had asked Mr. Colby to obstruct the commission's inquiry.

Reasons for Dismissal  
Mr. Colby's subsequent dismissal as director of intelligence was publicly described as being essential to a reorganization of the national security structure. According to Mr. Colby, however, that was not the main reason. "I believe I was fired because of the way I went about dealing with the CIA's crisis. My approach, pragmatically and philosophically, was in conflict with that of the President and his principal advisers," he writes.

Portions of his book were provided by Simon and Schuster to The New York Times yesterday after Newsweek magazine, in its current issue, published some details. Mr. Colby, who submitted the manuscript to the CIA for clearance, recounts his career as a CIA operative in Scandinavia, Italy and Vietnam, where he later became director of the operations effort. But much of the book deals with what Mr. Colby calls "the year of intelligence," the 13-month period after the December, 1974, publication of an article in The New York Times describing the CIA's domestic spying.

"Distortions, Exaggerations"  
Mr. Colby said he believed that the initial Times account contained "distortions and exaggerations" that could be countered only by attempting "to cooperate with the investigations and try to educate the Congress, press and public, as well as I could, about American intelligence."

Within a few days, he writes, he was excluded from the daily

discussions among Mr. Ford, Mr. Kissinger and key White House advisers over how to handle the Times' allegations.

"Their preferred approach, bluntly put," he writes, "would have been to stonewall, to disclose as little as they could get away with, and to cry havoc to the national security about what they couldn't deny—in short the exact opposite of mine."

Mr. Colby describes the White House's approach this way:

"The White House decided to try to contain the crisis by forming a blue-ribbon commission to investigate. Soon after my first testimony before this commission, chaired by Vice-President Nelson Rockefeller, he drew me into his office in the Executive Office Building and said in his most charming manner, 'Bill, do you really have to present all this material to us?'"

A Sarcastic Kissinger  
"And at one of our private meetings to discuss intelligence activities, after I had become a regular performer before the Senate Select Committee, Kissinger, in a sarcastically teasing reference to my Catholicism, cracked, 'Bill, you know what you do when you go up to the Hill? You go to confession.'"

"Scowcroft, with his Air Force background and fierce loyalty to the presidential command structure, didn't try to be witty about it; he said I should refuse to reply to the questions the Congress was asking."

In denying yesterday that he asked Mr. Colby to obstruct the inquiry of the presidential commission, Mr. Rockefeller said:

"Because the President had limited the commission's investigation to questions relating to the domestic activities of the CIA, as chairman, I endeavored at all times to keep the focus of the investigation on the designated assignment."

"Beyond Assignment"  
"Accordingly," Mr. Rockefeller added, "I sought to avoid the commission being drawn into issues that were beyond its assignment."

However, Mr. Colby writes that of all the commission members, only Erwin Griswold, the former solicitor general and former dean of Harvard Law School, "was anything that could be called aggressive in his questioning of me."

As for his brief talk with Mr. Rockefeller, Mr. Colby writes: "I got the message quite unmistakably, and I didn't like it." "The Vice-President of the United States was letting me know that he didn't approve of my approach to the CIA's troubles, that he would much prefer me to take the traditional stance of finding off investigations by drawing the cloak of secrecy around the agency in the name of national security."

In response to Mr. Rockefeller, Mr. Colby writes, "I mumbled something appropriate."

## Sakharov Says Officials Cut His Phone Service

MOSCOW, March 13 (UPI).—Andrei Sakharov called Western correspondents from a public phone booth last night to report that his private telephone service had been cut off.

The interruption occurred day after day, Sakharov said, and was a demonstration of about two dozen persons near the Kremlin, accusing the Soviet leadership of backing Palestinian terrorists who called Israel Saturday.

Mr. Sakharov said that when a telephone was being disconnected because the Sakharovs had not paid for their long distance calls. Mrs. Sakharov denied this and said that she and her husband had receipts for all their calls outside Moscow and abroad. Mr. Sakharov said that the woman who refused to identify herself hung up.

The Sakharovs have used the telephone extensively in their human rights campaign. Other dissidents and rights activists also have lost their phones.



Matthew Josephson in 1972 in New York.

## Obituaries Author Matthew Josephson, Biographer of French Writers

NEW YORK, March 14 (NYT).—Matthew Josephson, 79, the Brooklyn-born biographer whose writings ranged from French literary figures to U.S. capitalists, died yesterday in Santa Cruz, Calif.

Mr. Josephson had been visiting professor at the University of California at Santa Cruz since last fall.

He was probably most well known for "The Robber Barons," a muckraking inquiry into the accumulation of great U.S. fortunes in the 19th century. The book, published in 1934, recounted the careers of such capitalists as Jay Cooke, John D. Rockefeller, Andrew Carnegie, J.P. Morgan and Henry Clay Frick.

Mr. Josephson was a friend of the French surrealists of the 1920s as well as that movement's biographer. In addition, he encouraged the career of poet, Eliot Crane. He was part of the U.S. left literary movement of the 1930s, and his memoir of that era, "In the Temple," is an impressive document.

Such men as Paul Eluard, André Breton, Louis Aragon and Max Ernst became his intimates. He also maintained close ties with a group of writers, William Carlos Williams, Malcolm Cowley and Kenneth Burke, fellow ex-patriates at the time, the Robber Barons and the Claretie and Lites cafes in the Montparnasse section of Paris.

French Biographies  
Mr. Josephson's sympathy for French sensibility helped to lift his biographies of Zola, Roussseau, Hugo and Stendhal above the commonplace. His "Stendhal," published in 1946, was a significant element in the revival of U.S. interest in the 19th-century psychological novelist.

Although he moved in Bohemian and artistic circles, Mr. Josephson was a sort of old man out. He dressed, he talked, he drank, his sex life were all respectable and conventional. Outwardly he was the well-reared son of a middle-class parent. Julius and Sarah Kassowitz Josephson. His father was a small banker interested in politics.

After graduating from Columbia University in 1920, Mr. Josephson and his wife, the former Hannah Steffen, left for Paris to win a year or two of freedom and give all my time to writing. It was the first of several visits during which he wrote poetry and reported and edited for the Bronx, an

## Scheduled-Trip Fares, Too

## U.S.-Netherlands Pact Widens Low-Cost, Charter Flights

By Carole Shifrin

WASHINGTON, March 14 (UPI).—The United States and the Netherlands have signed the latest in a recent series of agreements fostering competitive international air transportation.

The agreement, signed Friday night, significantly expands opportunities for low-cost scheduled and charter services into the Netherlands.

"It is a very significant deal that will allow us to test more of our free-market theories in a substantial market and see how they work," Donald Farmer Jr., director of the Civil Aeronautics Board's Bureau of International Aviation, said yesterday.

Under the agreement, the Dutch agreed to accept any charter flights from the United States that meet current and future United States charter rules and to accept scheduled flights as well as any fares set in the United States. The United States in turn agreed to accept flights originating in the Netherlands on the same conditions. Most countries insist that charter flights originating in the United States meet the host country's rules—generally more stringent—and that fares be approved by the host country also.

Mr. Farmer noted that the Dutch agreement will assure that the Netherlands will accept even the very liberal "public" charter proposed by the CAB.

Under the new concept, the board would eliminate advance purchase and round-trip requirements and drop the minimum size for groups, thus allowing one person to book a charter flight.

There is no provision in the agreement on restricting capacity or numbers of flights for authorized services, as there is in the controversial British-U.S. agreement signed last summer.

U.S. carriers get unlimited rights to fly beyond Amsterdam and to convert from one size aircraft to another there.

Under the agreement, KLM Royal Dutch Airlines got the right to fly to Los Angeles and one other U.S. point to be named by the firm at a later date.

U.K. Airline Offer

LONDON, March 14 (UPI).—British Airways is making its standby and budget fares, which begin at \$53 (\$119.70), available between Britain and eight major U.S. cities.

The budget tickets, which have to be bought 21 days before travel, went on sale yesterday and standby fares will become available Saturday. Subject to government approval, they will be available from London, New York, Philadelphia, Boston, Chicago, Detroit, Los Angeles and Washington.

## 'Gang of 4' Foes Are Rehabilitated

HONG KONG, March 14 (Reuters).—More than 10,000 victims of China's purged "gang of four" radical leaders have been rehabilitated in Shanghai, the New China news agency reported today. The agency, disclosing the rehabilitation by the municipal committee of the Communist party, said the victims had been persecuted for opposing the "gang," headed by Chang Chiao-chuan, Chairman Mao Tse-tung's widow.

"Justice has now been done in the with party policy as a result of the campaign to expose and criticize the gang's wrongdoings," the agency said. "Rehabilitation measures include canceling wrong verdicts, stopping unjust punishment and adjusting improper work assignments."

## 44 Are Killed and 30 Wounded In Rioting at Argentine Prison

BUENOS AIRES, March 14 (AP).—Several hundred prisoners clashed with police today at a prison housing many political detainees, and authorities said that 44 persons were killed and 30 seriously injured. It was one of the worst prison riots on record.

Police said they crushed the uprising at Villa Devoto Prison, 10 miles from the center of Buenos Aires, after about 2 1/2 hours. Both guards and inmates were reported among the casualties. No cause was given for the outbreak, which started at about 6:30 a.m.

A total of 43 guards and inmates died in rioting at New York's Attica prison in 1971.

Area residents said they heard shouting and explosions inside the high-walled facility and then saw smoke.

Rights Protesters  
The prison is meant to house about 2,500 inmates, but human rights groups claim that the population has increased to between

## Czechs Release Three Dissidents

VIENNA, March 14 (Reuters).—Three Czechoslovak dissidents, including playwright Václav Havel, were released from police custody last night after being held for more than six weeks, dissident sources said.

The three activists in the Charter-77 human rights movement were released following a row with security police after they were evicted from a ball in Prague on Jan. 28.

Dissident sources contacted in Prague said that the police would continue their investigations into allegations that Mr. Havel, actor Pavel Landovsky and Jaroslav Kral, a factory worker, chartered police and attacked an official in the incident.

## Centrist Triumph In Guatemalan Election Recount

GUATEMALA CITY, March 13 (Reuters).—Government-backed candidate Romeo Lucas Garcia scored a clear victory in Guatemala's presidential election on March 5, according to a recount of votes by Congress announced yesterday.

The recount gave Gen. Lucas Garcia, representing the centrist coalition of the Revolutionary and Institutional Democratic parties, 269,970 votes. His nearest rival was Col. Enrique Peralta Azurdia of the extreme rightist National Liberation Movement, who won 211,696 votes.

The leftist Christian Democratic party candidate, Gen. Ricardo Fuentes Mendez, came third with 156,730 votes.

The recount was ordered after Col. Peralta Azurdia challenged the original result, which gave him 21,223 votes to Gen. Lucas Garcia's 252,960.

## Italy Communist Party Assails Cabinet It Vowed to Support

ROME, March 14 (Reuters).—The Communist party today attacked the country's new government—which it is pledged to support—calling it worn out and hardly capable of tackling the nation's problems.

It was the sharpest criticism by the party since Christian Democratic Premier Giulio Andreotti announced his new Cabinet, which contained only two new ministers.

The Christian Democratic minority government was sworn in by President Giovanni Leone last night. For the first time in 31 years, the Communists are members of a five-party Parliament coalition backing the Cabinet.

They also have taken part in working out the guidelines for a government program to combat Italy's economic crisis and political violence, but they have had no say in the makeup of the new government.

Lack of Pride  
The Communist daily newspaper, L'Unita, said today that the return of "worn-out ministers" was a grave mistake, showed weakness and a lack of pride and failed to give an assurance that it [the Cabinet] could confront the challenges of the moment.

The return of veteran ministers to the Cabinet provoked other sharp reaction.

"It's the same ministry of dead souls," the daily La Repubblica commented.

## U.K.-Spain Talks About Gibraltar

LONDON, March 14 (Reuters).—Britain and Spain tomorrow will make new efforts to break the deadlock in their dispute over Gibraltar.

Foreign Secretary David Owen will hold talks in Paris with Spanish Foreign Minister Marcelino Oreja on Spain's claim for return of the rock fortress that overlooks the straits linking the Mediterranean and the Atlantic.

British officials said they do not expect any quick breakthrough. They want Spain to lift frontier restrictions against the colony before Britain will negotiate. Britain still feels bound by its pledge to the 1951 Gibraltarans that they will not pass under Spanish sovereignty against their wishes.

## Separatism Fails In Quebec Survey

MONTREAL, March 14 (Reuters).—Quebec voters surveyed last month overwhelmingly rejected separatism from Canada, according to a public opinion poll published here.

The survey, commissioned by the tabloid newspaper Dimanche Matin, showed that 56.3 per cent of Quebecers would vote against independence for the province and 44.8 per cent would support it. The newspaper said that 16.9 per cent were undecided.

The Parti Quebecois government has pledged to hold a referendum on the question next year.

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## PARIS FILMS Italian Comedies Have a Message

By Thomas Quinn Curtiss

PARIS, March 14 (UPI)—As Italian comedy has become one of the bright spots of the international cinema, each new product of the school is awaited with high hopes. But those expectations were disappointed this week with the arrival of two samples: "Il Gatto" (at the Normandie and the Odéon) and "Romanzo Popolare" (at the Paradoxe and the Odéon). Both are shown in their original versions, both star the screen savior, Ugo Tognazzi, and both are far below par.

"Il Gatto" (in French "Qui a Tué le Chat?") is an attempt at a comic detective story. The victim of assassination is the pet of a neurotic bourgeois and his wife, who, in financial straits, are trying to sell their ancient mansion in Rome to skyscraper builders. To "finalize" this deal they are impeded to disclose their secrets.

Their lodgers might be politely described as a very lousy lot. Among them is a band of musicians whose classical concert is a front for heroin traffic; a bogus princess who runs a brothel in her quarters; an effeminate fighter who occupies the top floor; a priest of leftist leanings who the landlord wants to blackmail; an espionage agent of some sort disguised as an American journalist; a kept floozy; two genuine residents, members of a New York chapter of the Mafia; and a mooping concubine.

The cat, starved at home, annoys the neighbors by stealing food, which its hungry mistress and master devour. As this feline is the only attractive creature of the dramatic personnel, the film falls after it is killed. The ensuing investigation brings to light the shady activities of the tenants, with a heavy straining for laughter. Tognazzi and Mariangela Melato are the scheming proprietors and Michel Galabru is a distraught police chief whom they pester with their complaints.

The program informs us that the scenario will scathingly expose human baseness, but what unfolds before us is only agitated buffoonery of a low order. Instead of brilliant satire, a flavorless sabagione has been served.

In "Romanzo Popolare" we encounter Tognazzi as our old friend, the middle-aged man wed to an alluring young bride and beset with a pang of doubt concerning her fidelity. She tries, as we do, of the constant scenes and deserts both suspecting husband and suspected lover, the latter a burly policeman of her own generation, for tranquility.

In staging this script, Mario Monicelli has done everything to keep it a mad, noisy gallop, but he appears uncertain about its course. The worried husband is a Milanese factory hand, and at the start we seem to be heading for a labor melodrama with street demonstrations by discon-

Mariangela Melato and Ugo Tognazzi star in latest Italian romp, "Il Gatto."



tened workers. Then there is a probing of the mental agony of the protagonist by illustrating his nightmares with sudden inserts. As the dread of cuckoldry was sufficient a theme to serve Melato, Wycherley and Crommelinck for the fashioning of famous comedies, Monicelli and his scenario have grown overambitious in their efforts to embroider it with hints of a social message.

Tognazzi renders it with expected grimaces, groans and howls, while Ornella Muti as his long-suffering mate is a shapely ingenue, aptly cast as a wife likely to be coaxed.

"Raoni" (a Belgian product at the Danon, sometimes in French, sometimes in Portuguese and sometimes in Brazilian jungle dialects) is a report on the Amazon Indians being dispossessed of their homeland and their displacement to a reservation. It records their lives on the Amazon banks, their hunting and fishing expeditions, their tribal dances and their competitive sports in

handsome photography. This, however, is but the raw material for a finished documentary and Jean-Pierre Dutilleul, who has produced it, has not organized it for telling effect.

The case of the Indians is often argued in an incomprehensible tongue in lengthy interviews, and consequently the main issues are not clearly stated with sufficient strength. Documentary novices would profit by examining the work of Robert Flaherty, who made the pioneering film in the field, "Naok of the North," a study of Eskimo life, and "Moksha," a reportage of Tibetan native customs and folklore.

"Raoni" interesting both as sociology and anthropology, is well intentioned but not well made, containing more matter than art.

The seventh International Parisian festival of fantastic and science-fiction films is in progress at the Grand Rex. During the next few days several such films are to have their world pre-

mières here: "Legend of Dinosaurs" (Japan); "King Solomon's Treasure" (Canada); "Long Weekend" (Australia) and "Yest" (Italy).

Probably to supplement the occasion, Tod Browning's "Freaks" is being revived at the Action-Books (in English). This weird movie of the private lives of side-show monstrosities and the horrible vengeance reaped by a woman (the beautiful Russian actress, Olga Badanova) who has mocked them remains a frightening horror.

Browning, known in his day as the Edgar Allen Poe of the screen, was a master of the macabre. He was also a superb talent at the creation of a dreamlike atmosphere. The ominous background of "London After Midnight," the jungle settlement throbbing with potential violence in "West of Zanzibar" and the sinister East of "The Road to Mandalay" are unforgettable cinematic visions. His fantastic films are worthy of retrospective showing.

## MUSIC IN PARIS

### Massenet Revival Reaches Home

By David Stevens

PARIS, March 14 (UPI)—The Massenet revival that has been sweeping the operatic world in the last few seasons finally reached its natural home last night with the 1,374th performance of "Werther" at the Opéra Comique, in a new and all-French production.

The defenders of opera comique—both lower and upper case—saw a heavy and loyal band and there was much for them to rejoice in musically last night. In particular, Alain Vanzo sang the little part as if to the manner born, conveying the desperate passion of the hapless Werther.

### Statues, Vessels Found in Italy

POMPEII, Italy, March 14 (AP)—Archaeologists have unearthed ancient statues, lanterns and vessels in the storeroom of a house that belonged to a restaurant owner in Pompeii before the Mt. Vesuvius volcano erupted and buried the city almost 2,000 years ago.

The group includes a chalice-like vessel decorated inside and out with scenes from the poems of Homer, and a nearly 4-foot-tall bronze statue of an Athenian youth.

Fausto Zevi, superintendent of antiquities for the Naples area, said the find is the most remarkable since a collection of silver objects was uncovered here in 1933. He said archaeologists found the relics last week in a newly unearthed section of the house of Calixtus Polifonus, the owner of a Pompeii restaurant chain. The dwelling, on the Street of Abundance, dates to the 2d century B.C.

with liquid-smooth vocalism and a sure sense of style, and the veteran Pierre Dervaux conducted with a knowing hand that kept Massenet's charm from becoming too cloying and tempered the erratic acoustics of the Salle Favart.

Perhaps "all-French" is not, after all, quite the word for the production, for Dominique Delonche, who staged and designed it, seemed to be trying to mediate between the composer's late 19th-century romanticism and the work's Teutonic literary model of a century earlier.

He gave this resolutely intimate opera a vast visual dimension in the first two acts by taking the romantic landscapes of Caspar David Friedrich (1774-1840) as a model, and Werther's premonition of suicide in the second act was cinematically heightened by a (rather noisy) projection of a storm-tossed ship shrouded in mists on the distant hills—an image more suited to the atmosphere of, say, "The Flying Dutchman."

After a third-act set in Charlotte's claustrophobic home, in which Massenet's finest pages set the tone for the domestic tragedy, Delonche let fantasy take over again in the final act. Werther seemed to have shot himself in some deserted garage, whose walls vanished into the flies to let the playing children in to bombard the tragic couple with snowflakes.

Besides Vanzo, whose pleasantly ready tone and clarion top notes went from strength to strength, the cast was generally well balanced. Jane Rhodes, a statuesque and remote figure in the first two acts, threw herself with verve into the last two, but she often pushed her voice too close to the breaking point for comfort. Yves



Jane Rhodes as Charlotte

Bisson sang smoothly and acted with restraint as Albert, Charlotte's staid husband, while Daniele Chikostawa was a lively and touching Sophie.

The remainder of the cast and chorus carried out their duties with musical security, despite some costuming that bordered on caricature of German folklorism.

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## Book on the 'Have-Mores' How the Rich Threw Some of It Away

By Gregory Jensen

LONDON, March 14 (UPI)—When Philip Sassoon missed a train, he ordered the station-master, "Bring me another." Lord Berners had a piano built into his Rolls-Royce. The Stobury's wedding present to his wife was \$3 million in cash and almost as much in pearls.

All of history, according to Alan Jenkins, is crammed with people who had so much money they grew desperate inventing new ways to throw it away.

Jenkins, a British journalist, has just produced an intriguing book about the world's most prodigal big spenders. He calls it "The Rich Rich," and states his purpose in its opening lines: "Most books about very rich people tell you how they made their money. This one will concentrate on how they spent it."

And according to his 190 pages of anecdotes, it would be difficult to imagine a way to fling money around which someone hasn't tried.

Dinner for Butler  
There was the third Marquess of Hertford, for instance. He owned a huge estate in Wales which he never saw, much less visited. But an elaborate dinner for 12 people was cooked there every night in case he decided to drop in. "The Butler eats it," Hertford said.

There was the sixth Duke of Devonshire, who demolished an entire village because it spoiled one view from his house. He built another village for the inhabitants.

Or Chicago hotel tycoon Potter Palmer, who loaded so many diamonds onto his wife that she literally teetered. "There she stands," Palmer loved to say, "a half a million on her back."

One problem with Palmer's story, as with many other delightful ones Jenkins tells, is that inflation has eroded what were once enormous sums.

We have grown so used to millions and billions that it may seem a small thing to learn that Charlotte Gulbenkian spent \$2.5 million in the 1930s on a garden.

Precious Privacy  
But not such a small thing, perhaps, when Jenkins says Gulbenkian, who kept 61 gardeners working on it full time, created the garden so he could visit it twice a year to work. He stayed at a nearby hotel—the garden had no house—and insisted, "The most precious thing money can buy is privacy."

Nor has inflation dimmed the tale of James Gordon Bennett, the New York newspaper tycoon, who was refused his favorite table in a Monte Carlo restaurant one night. Jenkins says the enraged Bennett bought the restaurant on the spot, and after his meal gave it to a waiter.

Jenkins chronicles all forms of spending, but only approves of the frivolous kind.

"A true big spender is someone who spends unselfishly but enjoys it," he writes. "The element of pleasure is a must."

American annals are rich in frivolous spenders. Jenkins lingers over the grandiose Vanderbilts and Astor palaces, the luxurious yachts and private trains run by the Morgans and Goulds. He notes that "Diamond Jim" Brady gave away gold-plated bicycles studded with jewels.

His "super-spender" of all time is newspaper magnate William

Randolph Hearst, and Hearst's San Simeon estate the most prodigal folly of them all. Spenders in his chapter on Texas seem woefully unimaginative by comparison.

Jenkins finds some unfamiliar spendthrifts. One is Lady Houston, who gave the British government a check in the 1930s "to start a squadron of fighter planes to defend London." Her sponsorship of aviation contests led to the development of the Spitfire and gained her the title of "fairy godmother to the RAF."

To feel nostalgia for the golden age of the rich-rich is hardly permissible now," Jenkins says. "Freedom to spend is not one of the principles of the Atlantic Charter."

Yet neither he nor his readers can help "a bitter-sweet concoction of curiosity and envy," he says, "the have-nots envy the haves, and the haves envy the have-mores."

Thus, it may be comforting to know that the golden age of the big spender is not entirely past. On the same day Weldenfield Jenkins' book, a London newspaper reported that Adnan Khashoggi of Saudi Arabia had just spent \$4 million for his fifth private airplane.

He now has two Boeing 727s, "a 707, a DC-9 and a teeny-weeny Lear," the report said. "In addition to three oceangoing yachts."

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## Antichimax for the Dollar

Perhaps the agreement between the United States and West Germany on support for the dollar was oversold in advance; perhaps, as a declaration of intent, even if it provided means to meet that intent, it left too many doubts as to the real purpose of the Carter administration with respect to currency support. In any case, the dollar strengthened before the agreement was announced—and then proceeded to fall when it was made public. It was an undeniable anticlimax.

But there are certain contradictions about the dollar trading—just as there are almost always contradictions in the currency market. If there remain questions among financial experts about the Carter administration, precisely what are the questions about the U.S. economy? Admittedly a hard winter and a long coal strike, as well as congressional multistage over energy policy, are obstacles to recovery. There are too many dollars afloat for the demand, and whatever the secretary of Treasury may say about the inflation as a policy priority, it has not been checked.

Money managers prefer currencies backed by conservative practices in government, and, oddly enough, they find more of these in Bonn's Social Democratic government than in Carter's Democratic one. But there are matters of resources and employment, of home markets and industrial profits, that should be taken into account. In these the

United States is either intrinsically strong or increasing in strength and, for the future, the imbalance between the dollar and the mark seems even more illogical than the heads of the West German and U.S. governments insist it is today.

Nevertheless, that imbalance, whether logical or not, whether emphasized by U.S. desires to increase foreign markets and decrease imports or by the gambling of the gnomes in Zurich, is not good for international trade. Nor does it offer much promise for the creation of an international trade system that is geared to the political, economic and demographic realities of today's complex world. Flexibility in currency ratings might seem a useful device to adapt to that complexity—but right now it is not working very well.

Perhaps the arrangements made in the Bonn-Washington agreement can be used to correct some of the present "disorder" in the currency markets, at least so far as the dollar is concerned. But the problem goes beyond those specific disorders, and may afflict other currencies, affect other areas of trade. There is still reason to seek out some more stable system to provide economic interchange between nations, and groups of nations. At present, there are too many uncontrolled forces at work, too little recognition of the fact that currency is only one, if an important one, of the elements of international trade and cooperation.

## To Break the Cycle of Hate

It is not enough to condemn the senseless terror against Israel. It is not enough to warn that if the negotiations falter now, the el-Fatah guerrillas will have won again, destroying not the lives of dozens but the peace of millions. It is not enough to recognize that the terror, born in Palestinian hate, also threatens the interests of other Arab nations, notably Egypt. None of this is enough because in their torment Israelis also hate.

Inevitably, the Israelis will respond with force against the terrorist havens in Lebanon. They believe it necessary for self-defense and to still the fear of a vulnerable population. The world that expects Israel, yet again, to contain its grief and to regain its faith will have to demonstrate understanding for that impulse. Beyond messages of confidence, it owes the Israelis an honest sympathy and partnership in measures to punish terrorism on every front.

And those neighbors of Israel who share

its revulsion and sense of danger owe it a sign that their common humanity transcends the claims of Arab unity. Those who seek Israel's trust ought now to reaffirm their acceptance of the Jewish state in the Middle East and their renunciation of the threats and terror that they once embraced. If Egypt and Saudi Arabia and perhaps also Jordan and some Palestinians intend to build a stable peace upon Israel's recognition of Palestinian rights, they need to seize this moment to show that they are strong enough to stand with Israel against Palestinian wrongs.

The calculus of this week ought to go beyond the chilling rosters of victims and numbers killed in retaliation. The Israelis will be counting their supporters against terrorism. They must not be left to conclude, as so often before, that they stand alone.

THE NEW YORK TIMES.

## The Nuclear Winds of Windscale

Britain is about to undermine President Carter's campaign to curb the spread of nuclear technologies that can be used to make bombs. A British judge has recommended construction of a nuclear fuel reprocessing plant at Windscale, on Britain's northwest coast. The issue will be referred to Parliament for further debate, but close observers believe final approval of the controversial plant is certain. That would be unfortunate. The plant would use precisely the technology that Mr. Carter is trying to discourage. Moreover, the British decision comes at a particularly bad time—right in the middle of an international study designed to find safer technology. Yet the Carter administration, which could greatly influence the Windscale debate, has been curiously reluctant to intervene.

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The British plant will reprocess spent fuel rods from reactors in Britain and other nations, notably Japan, extracting uranium and plutonium that can be recycled as fuel. As in other reprocessing plants, the uranium would not be of weapons quality. But the plutonium would be; it could be used to build bombs. That is why the world is taking a harder look before plunging into a plutonium-based fuel cycle. At the urging of the United States, a two-year international study has been launched to investigate ways to make nuclear fuel cycles more resistant to weapons proliferation.

The British have two major motivations for going ahead. One is commercial rivalry with the French, who are apt to sign up potential customers for reprocessing if Britain continues to lag. The other is genuine disagreement with Mr. Carter's view of the proliferation dangers.

British officials contend that this particular plan poses no risk. It would be built in Britain, which already possesses nuclear weapons. There is no intention to sell the technology to other nations. And the ex-

tracted plutonium would be kept in Britain under tight control—at least for the short run. Some British officials even contend that the new plant would enhance the world's security by reducing the world's stockpiles of spent fuel rods, each containing plutonium.

There is merit in all these arguments. But the decision to proceed with construction at Windscale must still be considered a proliferation risk. The nations that contract with Britain to have their plutonium extracted will eventually want it back. More important, the Windscale project would unfortunately stimulate other countries eager to get on with reprocessing immediately, even if it involves using the so-called Porex technology that is directly applicable to weapons production. To make that decision now, when an international study is analyzing the need for reprocessing and the possibility of safer alternatives, is to prejudice the issue.

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The Carter administration could, if it wanted, severely limit Britain's plans to serve as reprocessor to the world. Much of the nuclear fuel that the British hope to handle originated in the United States and cannot be reprocessed without Washington's permission. The administration has said that the British cannot count on that permission, but it has not threatened to be hard-nosed. The only official U.S. comment on Windscale was a letter from a middle-level State Department official reaffirming Mr. Carter's concerns about reprocessing. It had little effect.

The administration apparently believes that a get-tough attitude might fail, or antagonize the British government, thereby damaging cooperation on other non-proliferation or diplomatic issues. But surely Mr. Carter can give a stronger signal of U.S. distress and reaffirm his commitment to block the further spread of bomb-proliferating technology.

THE NEW YORK TIMES.

### In the International Edition

#### Seventy-Five Years Ago

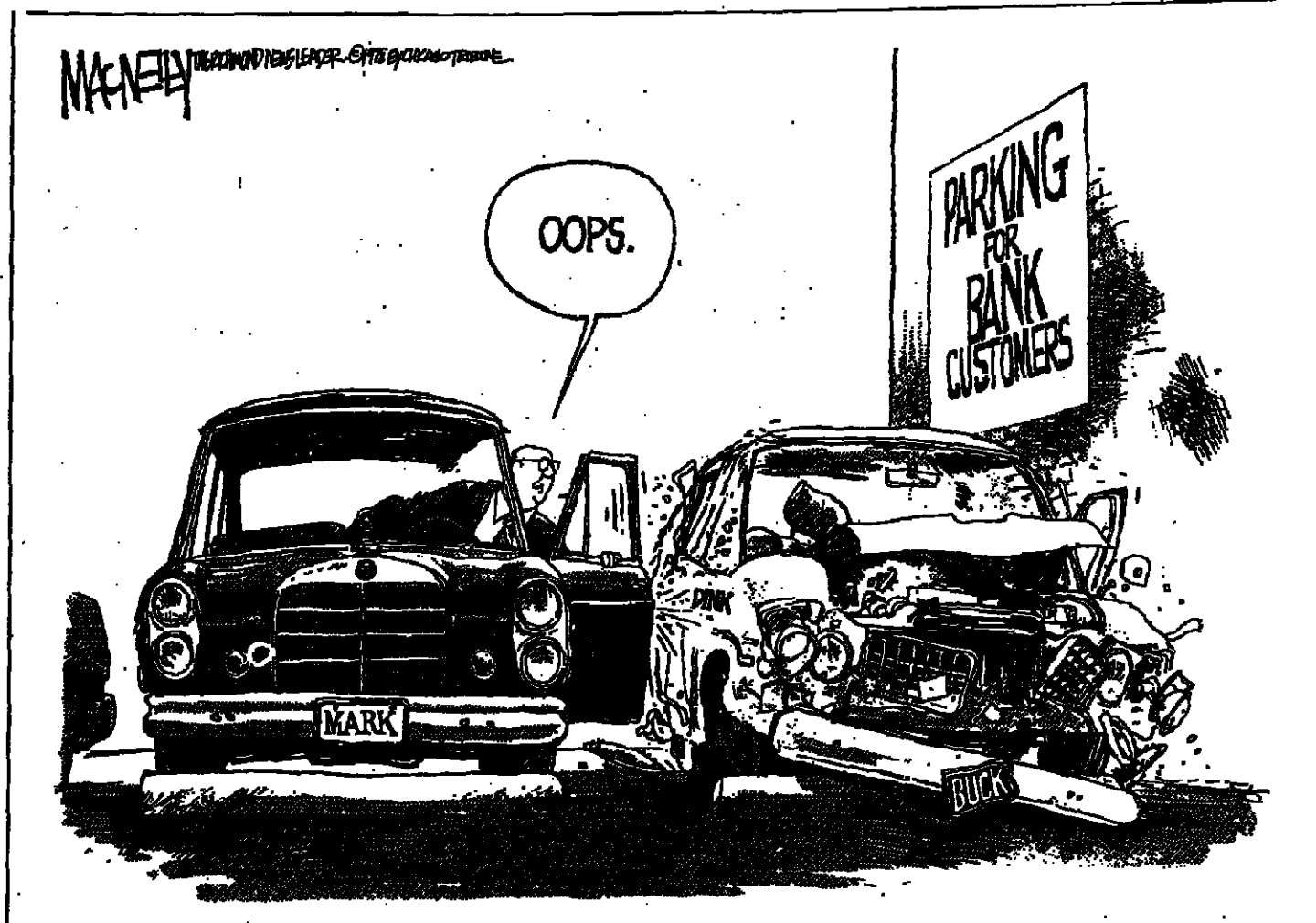
March 15, 1903

PARIS—Mr. Scheffer, who murdered Mr. Reibel, the servant of Mr. Alaux, a dentist, 157 Rue du Faubourg-Saint-Honoré, last October was, says *Le Temps*, yesterday sentenced to penal servitude for life. This case is a great triumph for Mr. Bertillon, organizer of the anthropometric service at the Préfecture of Police, for it was owing to his identifying a thumbprint that it was possible to make sure that Scheffer was the murderer before he gave himself up to the police.

#### Fifty Years Ago

March 15, 1928

NEW YORK—Gloria Caruso, eight-year-old daughter of the late Metropolitan tenor, is to receive an annual income of \$12,000 from royalties of her father's Victor records. Payment of the income was ordered by Chancellor Walker of Tennessee, N.Y., yesterday. His order provided for payment of the sum to Gloria's mother, Mrs. Dorothy Park-Benjamin Caruso, who had petitioned the courts on the ground that the money was needed to "maintain and educate Gloria according to her station in life."



## A Hard Look at the West German 'Miracle'

By Edmund Stillman

BONN—At first blush, the West German economy grows, and munitarily ought to be riding high. With an annual inflation rate running well below 4 per cent and a comfortable trade surplus of at least \$10-\$12 billion per year, the West German economy might seem the *Wirtschaftswunder* ("the economic miracle") the world believes it to be. But the gloom these days in the great industrial agglomerations of the Ruhr and in the mighty financial and trade centers of Frankfurt and Hamburg is palpable.

West German unemployment is up to 8.4 per cent of the labor force and rising. It would be far, far worse, if it were not that West Germany, by sleight of hand, managed to ship nearly three-quarters of a million "guest workers" back to Yugoslavia, Turkey, Greece and Spain.

West German exports grow, and the trade surplus seems almost embarrassingly large. It is nearly as large as Japan's—but for the same unflattering reason. Hardly anybody buys by choice from abroad. West German tastes and pride in domestic production form nearly as effective a trade barrier as tariff walls. As for domestic demand, it is as flat as a pancake. West Germans are still a frugal people, their material demands not difficult to satisfy.

### Injection

Thus while little more than 1 billion marks (\$600 million) injected into a sluggish economy in 1967-68 was sufficient to send West Germany into boom, since the crisis years began 50 times that much money in the public sector's annual outlays has not sufficed to do the same.

Even the glamour of the West German export performance dissolves under close examination. West Germany is not the developed world's untested champion exporter. Between 1967 and 1976 Japanese exports grew nearly 13 per cent each year; France's, 10; West Germany did less than 5 per cent, even with Italy. West Germany's trade surplus derives from a nonspendable trump card—the home population's preference for West German products. Year in and year out, West Germany exports about one-quarter of its gross national product and imports about one-fifth—the result, as Mr. Mittermayer put it, is "a domestic happiness."

But West Germany's neighbors are not so happy. There is grumbling in the European Economic Community now when the issue of West German imports, or lack thereof, comes up.

West German corporate profits too are flat because wage costs are very high. They are higher than in the United States, and with each upward revaluation of the highly-priced mark these costs rise still higher on the international scale. Low domestic inflation no longer compensates for the currency differential between West Germany and its competitors. Nor, contrary to widespread opinion, are the West German unions always disposed to be docile.

### Labor Costs

Faced with high labor costs and a steadily appreciating mark, West German industry has fought hard to keep its markets. The profit margins in Ruhr industry today are close to the vanishing point. Investment consequently is low. For the most part, the only thing West German business chooses to invest in these days is labor-saving machinery, thereby driving the unemployment rates inevitably higher and further reducing internal consumer demand.

West German industry, however mighty it may be, is concentrated in sectors like chemicals, steel and automobiles, where foreign competition is fierce and the threat of world protectionism looms. Not surprisingly, given high costs and low profits at home combined with the awesome clout of the currency, West German industrial giants move and more invest abroad.

Why then does West Germany stubbornly refuse to reflate? For one thing despite appearances, West German inflation is not all

that low. Given the sluggish growth performance over the last four years, given the high levels of unemployment, and above all given the rapidly appreciating currency so that oil and raw materials imports are relatively cheap, the inflation rate should be far lower. The truth is that the underlying inflation rate in West Germany is not negligible. If wage restraints were to end and the government were to embark on an indiscriminate expansionist policy, inflation could break loose.

Chancellor Helmut Schmidt himself may not suffer from a pathological memory of runaway inflation, but his uneasy coalition partners do.

Were Mr. Schmidt to embark on an ambitious reflationary course, bowing to Washington's pressure, the liberal partners would walk away—throwing the country to the opposition Christian Democrats, who are even less disposed than Mr. Schmidt to leap into the unknown of hastily planned economic expansion.

The pressure on Bonn is growing, and the West German political and business communities show signs of the strain. West German tempers are growing short, especially with Washington, which treats the West German economy and currency as if they were made of steel.

Last weekend's accord between

Bonn and Washington on supporting the dollar has already been greeted with profound skepticism in West German financial circles. Washington has made much the same promises before.

At risk is the peaceful functioning of the European Economic Community and Washington's special relationship with Bonn, which has been the cornerstone of U.S. policy in Western Europe since the war.

Edmund Stillman is founder and director of Hudson Research Europe Ltd., and the author of many books on United States and European politics. He is based in Paris. He wrote this article for *The New York Times*.

## No Change on F-15s

By Rowland Evans and Robert Novak

WASHINGTON—The Carter administration will in no way change its plan to sell 60 F-15 fighter aircraft to Saudi Arabia despite claims by Israel and the pro-Israel congressional bloc that last week's bloody Palestinian assault on Israel creates a new situation.

Moreover, the administration will not be deterred from its "package" sale of aircraft to Israel, Egypt and Saudi Arabia—all three sales to stand or fall together in Congress. This tells much about President Carter's inner determination. Not only will it further anger Israel's Prime Minister Menachem Begin; it also portends more trouble in the new confrontation between two old friends—Israel and the United States.

The White House mood in the week before Begin's visit here could hardly be more different from the jittery desire to please that animated the Carter administration when the Israeli leader first came to Washington last summer. Begin, then the upset Israeli election winner, was presided by Mr. Carter for having helped lay the "groundwork" for peace.

### Adversary

Begin now is regarded in the White House as an adversary whose word is suspect ("He lies to us on the settlements issue," a top administration official charges). The administration official believes Begin has not given President Anwar Sadat of Egypt the proper response due for the Egyptian's Jerusalem trip.

Thus, the sweetness and light of last July's Carter-Begin talks is gone. No effort will be made next week, as it was last summer, to pretend major differences between the two countries do not exist. Rather, Mr. Carter "will conceal nothing about the underlying contradictions as to basic political facts in the Middle East as viewed by us and by Israel," another key Carter adviser said.

Those contradictions start with Israel's military power. Here is the reason Jimmy Carter is showing uncharacteristic timidity in not letting last week's terrorist tragedy be used to saddle F-15 aircraft for Saudi Arabia.

### Analysis of Power

Although not advertised by White House spokesman Jody Powell, Mr. Carter has been steeping himself in studies of relative military strength in the Middle East, particularly air power. Mr. Carter's conclusion: Israel now is at the point where it could wage total warfare on all fronts simultaneously without needing supplies from the United States.

Particularly impressive to the President was the extensive analysis of Israel's military power, published last October by the authoritative *Armed Forces Journal*. The author, Anthony Cordemans, was chief civilian assistant to Robert Ellsworth, then deputy secretary of defense in the Ford administration.

Entitled "How Much Is Too Much?" the article supports the U.S. connection with Israel on

the basis of "morality, history and domestic politics." But it raises critical questions about Begin and dangers to U.S. policy posed by a Begin-governed Israel freed from U.S. military restraints by the huge weapons buildup following the 1973 war.

According to Cordemans, Begin "has made it clear he intends to abuse the U.S.-Israel alliance to permanently seize control of West Bank towns and territory that have no desire to be part of Israel. While Begin may or may not destroy Israel's first real hope for peace in the process, he has already begun to seriously damage U.S. interests."

The President is also impressed by similar warnings from the Pentagon about Israel's military might; that power could be used without seeking prior approval from Washington and without considering its effect on U.S. interests in the Arab world. These warnings have come to the Oval Office from the Joint Chiefs of Staff, Pentagon civilians and the individual armed services. The same note has been sounded to the President by Gen. Alexander Haig, supreme commander of NATO, speaking for himself and for the NATO allies of the United States.

### First Shot

Accordingly, no current or prospective development will please Mr. Carter's mind about the "package" of modern aircraft for Israel and Saudi Arabia and older F-5 defensive aircraft for Egypt. The first shot across the President's bow was fired from the House International Relations Committee last week, asking Mr. Carter to dump the Saudi F-15s. Harder shots will be coming in the battle of arms heating up between Mr. Carter and Israel, aided by its friends in Congress. But the President will not modify his "package" position. If the Saudis are denied F-15s, Israel and Egypt will also be denied their aircraft. There are signs Israel may let the President win out of fear that if the three-sided deal blows up, the Saudis will simply go to Paris and buy Mirage aircraft, almost the equal of the F-15. Israel, totally dependent on the United States for arms, would not want that to happen.

## Urban Policy:

### Must Carter

### Rush to Act?

By David S. Broder

WASHINGTON—The Carter administration is now racing the clock in the effort to meet the self-imposed deadline of having its long-heralded "urban policy" ready for the President to announce before he leaves on his journey to South America and Africa at the end of this month.

That fact by itself makes people nervous, for the record of other deadline projects is not encouraging. Carter insisted his energy program be ready three months after inauguration day, but 11 months after its unveiling, the problems that were raised in that hasty process still bedevil the energy legislation on Capitol Hill.

In the case of urban policy, there is a special reason to fear the consequences of the all-out press to get something—anything—for the President to announce. It was best expressed by Richard Nathan, the Brookings Institution student of intergovernmental relations, when he said: "The Carter administration had a very good urban policy until it announced it was going to develop one."

### Flow Increased

What Nathan meant was that the administration, in its first year in office, continued the rapid increase in the flow of resources to troubled cities and found some rather useful ways to deliver that assistance in forms flexible enough to be of considerable use to the cities.

Carter followed the pattern of his Republican predecessors in providing greater discretion for local allocation of community development funds. And he added significant amounts of anti-recession aid to the already rich stream of federal assistance to the urban areas.

As James McIntyre, the director of the Office of Management and Budget, remarked last week, the political difficulty in all the advance publicity about Carter's forthcoming urban policy statement is that any new urban initiatives will be small potatoes compared to what the government is already doing.

Budgetary realities rule out any grandiose scheme for a "domestic Marshall Plan." So the risk is great that those (including the big-city mayors) who are looking for multi-billion-dollar aid packages will find the Carter response inadequate.

### Not Stingy

But as a new publication of the Advisory Commission on Intergovernmental Relations makes clear, the charge cannot be sustained that the federal government has been stingy in its treatment of the cities.

"Direct federal aid to the nation's big cities has risen more than tenfold over the last 11 years," the ACIR report says. Aid to the 47 largest cities, excluding New York City, a special case, grew from \$406 million in 1967 to an estimated \$5.4 billion this year.

Whereas federal aid amounted to only 9 cents of every dollar of locally generated revenue in 1967, this year there will be 50 cents of federal aid for every 50 cents of local taxes.

What is true of the biggest cities is equally true of local and state governments generally. Uncle Sam has been accelerating his assistance.

The flow of federal aid to states and cities grew at an annual rate of 8.9 per cent in the first half of the 1960s; at a 15-per-cent annual rate in the last half of the 1960s; at a 16.8-per-cent annual rate in the first half of the 1970s, and at a rate of 18.7 per cent a year between 1975 and 1977.

### Thin Icing

In other words, the Carter program—whatever it finally is—cannot be much more than a thin layer of icing on very rich cake. It is these trends which underline the wisdom of the President's injunction to his urban advisers to concentrate on improving the utility of programs already in existence, rather than designing "bold new initiatives."

The problem, politically, is that the urban policy is likely to be condemned for the absence of those initiatives. Which is why Nathan said the administration was doing fine in urban policy until it launched this massively publicized search for something that already exists in abundance.

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## Dollar's Fall Continues in Europe

LONDON, March 14 (AP-DJ).—Despite continued assistance from central banks in Tokyo, Bonn, Zurich and New York, the dollar came under further downward pressure on the foreign exchange market today and dealers grew more skeptical of the efficacy of the U.S.-West German stabilization package.

The U.S. fund lost ground against virtually every major trading currency, reaching a new post-war low in relation to the yen of 230 yen.

The dollar crisis "isn't over by a long shot," said one dealer at a major U.S. bank in London. Recent credit creation in the

U.S. banking system has been a help to finance growth in the U.S. money supply above the target rate, as well as an outflow of at least \$28 billion in foreign exchange in a few months, according to some estimates. Portfolio diversification out of dollar-denominated assets is proceeding at an alarming rate, exacerbating the problem of the mounting U.S. trade deficits.

"This is the root cause of the dollar's problem and Eurodollar rates are still coming down. Money is flooding out of the United States and onto the Eurodollar market," creating an excess external supply of the currency at a time when demand is already slack, one dealer said. He cited the need for a one to two-point boost in Eurodollar deposit interest rates in order to alleviate some of the pressure on the U.S. currency.

The Bundesbank apparently gave the dollar steady support above the 2.05-mark level throughout the session, buying an estimated \$37.3 million at the Frankfurt fixing alone. But after the central bank withdrew from the market for the day, the U.S. unit slipped to 2.0430 marks, down 45 points from late yesterday.

Against the yen, the dollar reached an all-time low of 230 1/2 today, Tokyo trading and the Bank of Japan bought an estimated \$120 million. In London, the dollar finished at 232.90 yen, down 80 points on the day.

The dollar moved nervously against the French franc in the wake of Sunday's election returns and the approaching final round of the weekend. After opening at 177.50 francs, the U.S. currency eased to 177.30 francs by the close, off 30 points from late yesterday.

Better-than-expected British trade figures for February helped the pound improve. It rose to \$1.9145 from \$1.9090.

Against the Swiss franc, the U.S. unit eased to 1.5815 from 1.5875 francs despite some assistance by the Swiss National Bank.

There has been no change in Washington's basic position that it is simply combating disorderly markets, and the Bonn-Washington communiqué reinforced that position.

The world's financial markets may be disappointed in that position, but they have no right to expect it to change. The Carter administration has reason to feel that its economic policies are working reasonably well.

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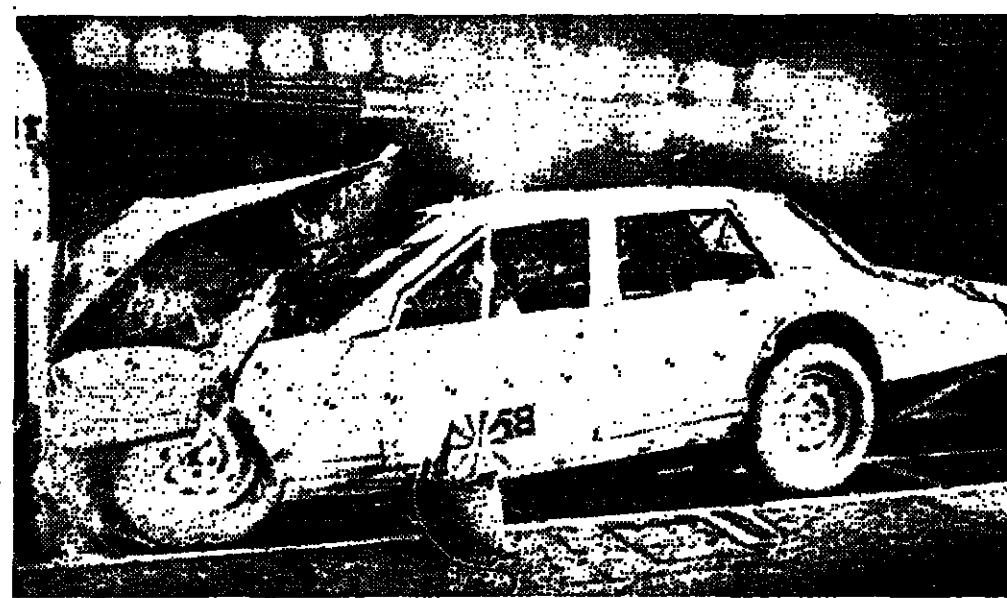
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There has been no change in Washington's basic position that it is simply combating disorderly markets, and the Bonn-Washington communiqué reinforced that position.



SMASHING—£32,620 worth of brand new Aston Martin Lagonda is driven at 39 mph into a 200-ton concrete block in a barrier test of its safety standards.

## Yen's Appreciation Offsets Sales Rise

### Sony's Net Drops 49.6 Per Cent in Quarter

TOKYO, March 14 (AP-DJ).—Sony's consolidated net profit dropped a sharp 49.6 per cent in the first quarter ended Jan. 31 to 5.48 billion yen from 10.87 billion yen a year earlier as a result of the yen's appreciation and severe

price competition, the company said today.

Consolidated first-quarter sales, however, rose 6.3 per cent to 136.03 billion yen, a first-quarter high, from 127.91 billion yen a year earlier.

Sony's overseas sales in the first quarter rose only 1.5 per cent to \$2.147 billion yen, or 60.4 per cent of total sales, down from 63.3 per cent a year earlier. Domestic sales, however, showed a healthy 14.7 per cent rise to \$3.88 billion yen.

Video-tape recorder sales jumped 51.9 per cent from a year earlier to 22.85 billion yen, or 16.8 per cent of sales against 11.8 per cent, a Sony official said. The company hopes to nearly double this production in 1978 to 600,000 units.

Television sales fell 4.2 per cent to \$2.14 billion yen, or 31 per cent, down from 34.4 per cent, reflecting increased price competition overseas. Domestic sales held firm, the official said.

Tape recorder and radio sales fell 11.5 per cent to 23.76 billion yen, or 17.5 per cent of sales against 21 per cent a year earlier while audio-equipment sales were up 6 per cent to 18.15 billion yen.

The official said earnings were cut sharply by the yen's appreciation. The dollar averaged about 264 yen for conversion in the year earlier quarter and 242 yen in the first quarter this year, he said.

The first half of this year will be the toughest in terms of year-to-year comparisons in net profit, the official added, with some improvement expected in the latter half. The company declined to make any earnings projections for the year.

Sony said overseas sales were healthy but that conversion into yen brought the totals down.

United Biscuits Net Up  
LONDON, March 14 (AP-DJ).—United Biscuits Holdings net profit rose \$17.4 million in 1977 from \$15.5 million a year earlier as turnover jumped to \$680.2 million from \$551 million. The company declared a final

dividend of 3.634 pence a share, making 5.384 pence for the year against 4.242 pence.

The company said that 1978 has started well domestically but is less encouraging in the United States. Profits this year are anticipated to show a "satisfactory increase" if the effects of the U.S. coal strike are not too adverse, the company added.

Growth in EEC  
Seen About 3%  
BRUSSELS, March 14 (AP-DJ).—Common Market growth in gross national product this year is likely to be 2.8 per cent to 3 per cent in real, or price adjusted, terms instead of 3.5 per cent projected about a month ago, according to latest assessments of the EEC Commission.

This, sources said, would be communicated to the nine EEC member countries when their economics and finance ministers meet next Monday to discuss the economic situation.

EEC economics and finance commissioner, François Xavier Ortoli, will also inform the ministers that the real GNP growth in 1977 fell short of the 2.4 per cent earlier anticipated and was, most likely, only a disappointing 1.9 per cent.

Japan Car Exports  
Increase in Month  
TOKYO, March 14 (Reuters).—Toyota Motor Co. said its vehicle exports in February rose 8.8 per cent to 128,017 from 117,780 in January and were up 16 per cent from 110,397 in February last year.

Nissan Motor Co. said its vehicle exports rose 10.2 per cent to 118,299 from 107,374 in January and rose 47.6 per cent from 80,141 in February last year.

Swiss Trade in Surplus  
BERNE, March 14 (Reuters).—Switzerland had a trade surplus of \$8 million francs in February after a deficit of 210 million francs in January and a deficit of 114 million francs in February last year, the Federal Customs Office said.

Rolls-Royce Net Up  
LONDON, March 14 (AP).—Rolls-Royce Motor, posted profit of \$11 million last year compared with \$2.6 million in 1976 chairman Ian Fraser said.

Condensed Consolidated Balance Sheet  
Assets  
Cash and short-term deposits ..... \$ 23,844,932 \$ 21,786,539  
Finance receivables  
Consumer loans and sales contracts ..... 225,883,160 226,014,736  
Residential mortgages ..... 50,492,445 46,521,584  
Industrial loans and leases ..... 157,618,467 164,098,802  
Commercial real estate mortgages ..... 56,114,356 48,947,219  
Wholesale and other ..... 11,850,921 14,167,547  
Total finance receivables ..... 501,959,349 499,749,888  
Less: Unearned finance income ..... 75,404,147 79,076,601  
Allowance for credit losses ..... 8,531,104 7,929,370  
Finance receivables, net ..... 418,024,098 412,743,917  
Investments ..... 24,395,553 20,433,396  
Other assets ..... 13,815,330 12,578,812  
\$480,079,913 \$467,542,664

Liabilities  
Short-term notes ..... \$159,437,281 \$171,540,824  
Income taxes ..... 12,365,965 15,507,378  
Secured long-term notes ..... 168,929,539 141,890,947  
Debentures ..... 42,890,703 44,112,237  
Other liabilities ..... 24,592,352 24,584,373  
Minority interest ..... 2,472,200 2,642,315  
\$400,687,640 \$400,078,074

Shareholders' Equity  
Capital stock ..... 42,373,909 43,858,219  
Retained earnings ..... 27,018,364 23,606,371  
69,392,273 67,464,590  
\$480,079,913 \$467,542,664

Condensed Consolidated Statement of Earnings  
1977 1976  
Income ..... \$ 80,905,617 \$ 80,116,217  
Cost of borrowings ..... 31,589,361 30,846,043  
Earnings before other expenses ..... 49,316,256 49,270,174  
Other expenses:  
Salaries and benefits ..... 13,731,364 13,521,887  
Provision for credit losses ..... 5,589,352 4,789,358  
Operating expenses ..... 17,637,423 18,581,414  
Total other expenses ..... 36,958,149 36,892,659  
Earnings before the following items: 12,357,907 12,377,515  
Income taxes ..... 5,379,573 6,300,416  
Minority interest ..... 440,268 272,020  
6,538,066 5,805,079  
Equity in earnings of unconsolidated affiliate ..... 272,608 245,967  
Net earnings before extraordinary item 6,810,674 6,051,046  
Reduction in carrying value of investment in associated company ..... 700,000  
Net earnings ..... \$ 6,110,674 \$ 6,051,046  
Earnings per common share:  
Before extraordinary item ..... \$1.39 \$1.19  
After extraordinary item ..... \$1.22 \$1.19

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## Coal Strike Settlement Boosts Prices in N.Y.

NEW YORK, March 14 (IBT).—A settlement by coal strike negotiators to end the 14-week old strike helped stocks reverse early weakness today as prices ended higher in another active session.

News of the agreement also helped the dollar gain against major European currencies in New York trading. The dollar's weakness has been one of the principle factors behind recent stock market decline, analysts said.

Enthusiasm was tempered, however, by a government report of a smaller than expected rise in February's U.S. retail sales, and a 13.5-per-cent decline in early March auto sales, the analysts said.

The Dow Jones Industrial average, after being down about 5 points after the first hour of trading, and off about 1.5 points just prior to the announcement of the coal settlement, closed up 2.6 to 762.58.

Advancing issues led decliners some 800 to about 535 after trailing most of the day.

Volume totaled 24.3 million shares compared to 24.07 million yesterday.

National Presto Industries was the outstanding mover, tumbling 1 1/4 to 25 1/8 on volume of 275,000 shares. The company reported earnings which analysts said came in far below forecasts.

Sony, the Big Board's volume leader, fell 5/8 to 7 1/8 on a news of a substantial decline in its earnings. Analysts said yesterday that many of the company's products are meeting stiffer competition.

Actively-traded Hercules picked up 3/4 to 13 on 426,500 shares after the company said in a statement that speculation about a possible bid in its 25 cents a share dividend was "unsubstantiated by facts."

Peter Paul Inc., which signed a definitive merger agreement with

Cadbury Schweppes Ltd. Under which Peter Paul would be acquired by Cadbury, rose 1 1/4 to 36 1/8.

Prices finished higher on the American Stock Exchange in active trading. The Amex index rose 0.12 to 125.77.

## EEC Aide Warns Japan on World Trading System

TOKYO, March 14 (Reuters).—A European Common Market official warned today that the world's open trading system could break down unless Japan agreed to cut its huge trade surplus with the EEC during talks beginning tomorrow.

Sir Roy Denman, the community Commission's director-general for external affairs, told a press conference the Common Market wanted to see a big and fast reduction in the Japanese surplus, which topped \$5 billion last year.

"If no agreement is reached, then a very serious situation does produce itself," he said. "What is at stake is the survival of the open world trading system."

Sir Roy said there were two possible courses of action. One was a rapid reduction of the Japanese surplus in the context of an expansion of two-way trade. The other—"which we are not anxious to follow"—was to impose trade restrictions.

"We want expansion to ensure the open trade system remains intact," Sir Roy said.

Specifically, he said the Common Market wanted Japan to open up its market to more EEC imports such as processed foods, footwear, chemicals, pharmaceuticals, diesel engines and silk yarn.

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March 15 1978



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- 12 Month -	Stock	S&P	d.a.m.	Change
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